The Global Reputation Quotient Project: First Steps towards a Cross-Nationally Valid Measure of Corporate Reputation

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INTRODUCTION

Corporate reputation is a growing factor in creating and maintaining corporate competitive advantage due to four trends in the business environment:

- the global interpenetration of markets
- media congestion and fragmentation
- the appearance of ever more vocal constituencies
- the commoditization of industries and their products.

These trends place pressure on firms to differentiate themselves and to examine the global consistency of their policies, actions and stakeholder perceptions. They have amplified the importance of the company's overarching reputation as a strategic weapon for managing the company's external presence in global markets and forced closer inspection of corporate policies, actions and interactions across countries.

To be managed, corporate reputations must be measured. To date, however, neither researchers nor practitioners can claim to have a cross-nationally validated instrument. Such an instrument would assist the comparison of multinational corporations' (MNCs') reputations across the different countries in which they do business. In addition, it would facilitate the study of corporate reputation's antecedents and consequences cross-nationally.

The Global Reputation Quotient (RQ) Project is designed to develop such a cross-national instrument and to construct a global database of reputation ratings that can inform research and practice. This article begins by summarizing early steps taken in the USA to build such an instrument — the Reputation Quotient[tm] (RQ). The article then describes the steps being taken to attain cross-national validity. In the third section is presented the results of nominations obtained in the USA that were designed to identify a list of companies perceived by the general public to have good and bad reputations. The fourth section compares the US nominations to those obtained in a comparable survey across Europe. The fifth and final section summarizes the authors' findings and discusses future research areas.

CROSS-NATIONAL SCALE DEVELOPMENT

In developing a reputation measure, the authors followed Spector's (1992) recommended process for scale development comprising construct development, scale design, pilot testing and validation (see Figure 1). This model reflects the fundamental relationship shared by theory devel-

Figure 1: Scale Development
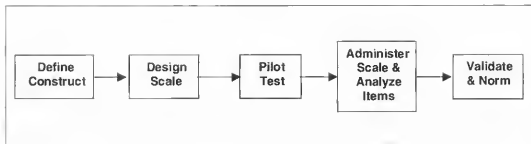
opment, instrument design and construct validation. These steps also apply to cross-national scale development.

In order to develop a cross-national scale, it is necessary to examine corporate reputation's 'construct equivalence' — the degree to which corporate reputation has the same meaning and is equally relevant in all countries and cultures. The cross-cultural psychology, marketing and management literatures provide a number of terms to describe the various aspects of cross-cultural equivalence (for example, conceptual, operational, and linguistic equivalence), and translation, calibration, metric and scalar equivalence that comprise measurement equivalence (Mullen, 1995). This article concentrates on conceptual equivalence — specifically, the availability of the corporate reputation construct.

Conceptual equivalence is the initial step in research determining whether the construct exists, is interpreted and expresses similar attitudes or behaviors across nations. To that end, the authors took a number of steps to create an instrument that could be used cross-culturally. Initially, they generated a list of potential scale items from existing international corporate reputation measures and theory to develop a prototype scale to be tested across countries. They then prompted a random sample of the general population in 11

countries to nominate companies with strong and weak reputations. The results of this stage are reported in this special edition of CRR. The third step coordinated focus groups to provide insight into how individuals from different cultures perceive and understand corporate reputation, as well as scrutinize the scale items. The focus group results are currently being analyzed. The final stage of research will involve an actual test of the validity of the RQ cross-nationally.

CONSTRUCT DEFINITION

The authors reviewed the existing academic and practitioner literature to develop the corporate reputation construct and initiate the scale design. Various academic fields, including accounting, communications, economics, marketing, organizational theory, sociology, and strategy, are contributing to the growing literature on corporate reputations (Fombrun & van Riel, 1997). Recognizing the convergence of these research areas, the authors adopted the following integrative definition of corporate reputation:

A corporate reputation is a collective representation of a firm's past actions and results that describes the firm's ability to deliver valued outcomes to multiple stakeholders. It gauges a firm's

relative standing both internally with employees and externally with its [other] stakeholders, in both the competitive and institutional environments (Fombrun & Rindova, 1996).

OPERATIONAL MEASURES OF CORPORATE REPUTATION

Both academic and practitioner interest in corporate reputations seems to originate in the widespread visibility given to the topic by publication of corporate reputation ratings in business periodicals and newspapers. *Fortune's* 'America's Most Admired Companies' is probably the most visible of these and has generated a small industry of similar ratings in other publications, such as the *Financial Times*, *Asian Business* and *Manager Magazin*. Social ratings agencies such as the Council on Economic Priorities (CEP) and investment funds such as Kinder, Lydenberg & Domini (KLD) also rate companies on various aspects of social performance and contribute to the current proliferation of reputational indices. Fombrun (1998) reviewed these indices in some detail.

Academics conducting research on corporate reputation have largely relied on these practitioner ratings, chiefly those of *Fortune* and KLD. These ratings in particular have accrued over a number of years with few changes, a feature that has made them relatively attractive for longitudinal analysis. Nonetheless, numerous researchers have also noted the significant shortcomings of these data, particularly the non-representative sampling of respondents and the lack of a theoretical framework from which attributes and dimensions are selected (Brown & Perry, 1994; Fombrun & Shanley, 1990; Fryxell & Wang, 1994).

To address these shortcomings explicitly, the authors began a comprehensive effort to establish a new, more robust measure of corporate reputation that would be both valid and reliable. Critical to this endeavor

was developing a measure that would be valid and reliable cross-culturally. Detailed analysis of scale development and testing of the RQ in the USA were presented in Fombrun, Gardberg & Sever (2000). The process and findings are summarized briefly below.

DEVELOPMENT OF THE REPUTATION QUOTIENT[SM]

To develop a balanced instrument for measuring corporate reputations, the authors reviewed the items contained in the eight most visible measures of corporate reputation, including *Fortune's* Global Most Admired Companies, *Far Eastern Economic Review* and *Financial Times*. From these business publications were culled a list of 27 items listed in Table 1. The authors then added items suggested by academic and practitioner literature on reputation, as well as items suggested by their research partner, the firm of Harris Interactive, based on its proprietary image research. After removing duplications, the item list contained 32 items. In addition, a few of the 27 items used in prior surveys were incorporated in the questionnaire rather than as part of the scale.

To refine and validate the scale in the USA, and with the assistance of Shandwick International, the global public relations firm, the authors set up five focus groups to explore the dimensionality of the construct, and ran three online pilot tests of the instrument in forms. Using various psychometric tools and tests such as factor analysis and Cronbach's alpha, the item content and form were refined with each subsequent pilot test. The focus groups comprised corporate executives, airline consumers, personal computer buyers, and MBA candidates from a New York area university with which we explored:

1) how people think about companies

Table 1: Initial list of 32 items tested in RQ development

I am very familiar with the products and services of the company.
I haven't seen or heard anything about this company lately.
I know a lot about this company's financial performance.
I know many people who work for this company.

This company is well-managed.
This company has highly skilled employees.
This company is inefficient and non-productive.
This company is led by an intelligent and competent CEO.

This company sells high quality products and services.
This is an innovative company.
The products and services of this company are unfairly priced.
This company provides excellent value to the customer.

This company has extensive resources to draw on.
This company is very powerful.
This company is a leader in the (name of industry) industry.
This company seems to be very weak to me.

This company doesn't really have anything unique to offer.
This company is very distinctive in the way it does things.
I really identify with this company.
I have a good feeling about this company.

I usually believe what this company says.
From what I know, this company never lives up to its promises.
This is a company I can trust.
This company is honest and straightforward in its communications with the public.

This is a company that really cares about its employees.
This company contributes a lot to the communities in which it operates.
This is an environmentally responsible company.
This company cares very little about the safety of its customers and employees.

Note: Items in italics were reverse coded

2) the degree to which they feel that corporate reputations matter
3) the language that they use to address reputational issues
4) the specific wording that selected target groups used in reference to corporate reputation.

The focus groups not only contributed to refinement of the scale but also supported the importance of the construct 'corporate reputation' for US corporate executives and consumers (for a detailed description of the scale development, please see Fombrun, Gardberg and Sever (2000)).

The resulting instrument, the Reputation Quotient™, has emerged as a valid, reliable and robust tool for measuring corporate reputation. Since then, various studies of corporate reputation have been

released in the *Wall Street Journal* and in *American Banker* based on the RQ scale. The next step in the RQ's development is exploring its cross-cultural generalizability beyond the USA. The authors are following a similar process of testing and validation in each of the other countries in which they are measuring corporate reputations.

CONCLUSION

This paper briefly reviewed the process now under way for developing the Reputation Quotient℠ (RQ) and the sequence of steps involved in testing the scale's cross-cultural validity. In the initial stage of the RQ's development, the authors focused on the conceptual equivalence of corporate reputation across national environments. In the next steps they will use focus groups to explore further corporate reputation's content and availability and examine its operational and linguistic equivalence (Rosenzweig, 1994), and pilot tests to examine the construct's translation, calibration, metric and scalar equivalence, all of which comprise measurement equivalence (Mullen, 1995).

At the end of this multi-year, multi-party, cross-national effort the authors hope to have a validated scale for measuring, comparing and studying corporate reputation. Researchers and practitioners will then have an instrument with which to measure and quantify corporate reputations across national environments, as well as to examine reputation's antecedents and consequences.

The next article will present an analysis of the companies nominated for 'best reputation' and 'worst reputation' that were made by a representative sample of the general public in the USA. Various collaborators then discuss the comparable nominations generated in some of the specific European countries in which the Global RQ project is now under way.

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